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SIPDIS

DEA FOR ADMINISTRATOR TANDY FROM AMBASSADOR

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SUBJECT: SCENESETTER - DEA ADMINISTRATOR TANDY'S VISIT TO THE UAE

Classified By: Ambassador Michele J. Sison, for reasons 1.4 (b) and (d).

1. (C) Administrator Tandy: I would like to welcome you to the UAE. Your visit comes during a dynamic period in the U.S.-UAE bilateral relationship. Over the last few years, relations between the U.S. and the UAE have deepened and expanded in the economic, military, counter-terror, and nonproliferation areas. In Abu Dhabi we have requested meetings for you with Abu Dhabi Crown Prince Mohammed Bin Zayed (MBZ), Interior Minister Sheikh Seif, and Central Bank Governor Sultan Nasser Al Suweidi. In Dubai, we have requested a meeting for you with Dubai Crown Prince Mohammed Bin Rashid (MBR), and you will be meeting with the U.K., Canadian, and Australian drug liaison officers and their respective Consuls General.

2. (U) Table of Contents:

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Government and Economy

3. (U) The UAE is a federation of seven emirates founded in December 1971. Under the constitution, the federal government has authority for certain areas that affect the federation as a whole, such as foreign affairs, while the individual emirates retain authority in areas not specifically delegated to the federation. In all cases, however, federal laws and decrees "trump" local laws. In November of 2004, President Sheikh Zayed al Nahyan passed away and was succeeded by his eldest son, Sheikh Khalifa bin Zayed Al Nahyan. The political transition following Sheikh Zayed's death has been smooth. President Khalifa has ensured stability by pursuing the same domestic, regional, and international policy priorities as his father.

4. (U) Over the last 34 years, the UAE has developed into the second largest economy in the Arab world. It has adopted progressive economic policies that have helped diversify its economy away from a dependence on oil and that will continue to strengthen the UAE's position as the region's pre-eminent hub for trade, transportation, investment and tourism. We are in the process of negotiating a free trade agreement that will advance mutual economic interests and ensure that the UAE remains among the top ten countries with which the U.S. runs a trade surplus.

5. (U) Individual emirates maintain ownership of natural resources within their borders, and as a result, there are sharp differences in the wealth of the various emirates. The Emirate of Abu Dhabi, which controls 94% of the oil and gas reserves in the UAE, is the richest and most powerful emirate. Lacking Abu Dhabi's vast oil reserves, Dubai has managed to achieve a strong economy by providing stability, world-class infrastructure such as the ports and airport, an openness to foreigners, and a business-friendly climate. Dubai has become the region's center of tourism, banking and finance, shipping, air travel, retailing, and free zones. The five northern emirates are less wealthy, have fewer resources and fewer economic opportunities, and are highly dependent on grants from Abu Dhabi emirate and the federal government.

U.S.-UAE Cooperation and Collaboration

6. (S) U.S.-UAE cooperation in the security and counterterrorism fields is robust and the UAE leadership is actively seeking ways to enhance the relationship. In particular, the UAE cooperates very closely with the U.S. on anti-money laundering (AML) and counter terror finance (CFT) issues. The Central Bank's Anti-Money Laundering and Suspicious Cases Unit (AMLSCU), which serves as the UAE's Financial Intelligence Unit (FIU), has a close working relationship with the U.S. Department of Treasury's FIU

(FINCEN), and these officials are often in daily contact with one another. The Central Bank has also assisted the U.S. on a number of criminal cases, including by providing documents for use in the trial of accused 9/11 associate Zacharias Moussaoui. (Note: The Central Bank, a member of the Egmont Group, also cooperates closely with other FIUs around the world. It has assisted the UK, Germany, Portugal, and Turkey on AML and CFT investigations. The Central Bank has also frozen 23 accounts based on information and requests from other countries, and it has referred 88 cases to counterparts in other countries for investigation and asset freezing.)

17. (C) To further enhance our robust cooperation in the field of counterterrorism finance, Homeland Security Advisor Fran Townsend proposed establishing a Joint Terrorist Finance Coordination Committee (JTFFC) to the Central Bank Governor during her visit to the UAE in February. This committee, which will be comprised of representatives from each country's law enforcement, intelligence, foreign affairs, and financial regulatory agencies, will set terrorist finance priorities and long-term strategy, formalize and coordinate information exchange, and arrange training. Washington is drafting a proposal to submit to the UAE. DEA may wish to consider working through the JTFFC to engage with the AMLSCU on issues of joint concern (for example, on training bank examiners and law enforcement officials on techniques to identify and investigate individuals using hawala to launder drug proceeds).

18. (C) As Minister of Interior, Sheikh Saif provides significant support to all U.S. law enforcement agencies in the UAE, and U.S.-UAE law enforcement cooperation has increased dramatically over the past year. Both the Abu Dhabi and Dubai police departments have been responsive to the Legal Attache's requests for information in furtherance of U.S. criminal investigations. The Dubai police department drug section agreed to assist the FBI's investigation of a local resident suspected of supporting terrorism through illegal drug activities. While the case was discontinued prior to undertaking the joint effort, the cooperation in agreeing to and planning the operation was very positive.

19. (SBU) DHS/ICE has also developed a strong working relationship with the Ministry of Interior and both the Abu Dhabi and Dubai Police Departments; working joint criminal investigations involving many different violations including money laundering, smuggling, criminal export investigations (including violations of the Arms Export Control Act), child pornography, etc. Sheikh Saif has been a strong advocate of developing a close working relationship with DHS/ICE and has personally authorized the development of a joint operation with the Ministry of Interior targeting U.S. and UAE based Hawaladars willing to move the proceeds of illegal activity. Additionally, ICE manages the Container Security Initiative (CSI) in Dubai with four ICE and Customs and Border Protection (CBP) officers co-located with the Dubai Customs Intelligence Unit. CSI is a program designed to screen U.S. bound cargo for conventional weapons and WMD.

110. (C) While informal, working-level law enforcement cooperation is excellent, formal, judicial cooperation has been stilted, at best. The UAE has recently begun to block formal judicial cooperation regarding requests for information and return of suspects in order to pressure us to conclude Mutual Legal Assistance (MLAT) and extradition treaties. Current negotiations for an MLAT are stalled, however, due to the UAE's insistence on linking negotiations to an Extradition Treaty and the UAE's unwillingness to extradite its own nationals. Historically, there were two instances where the UAE extradited persons wanted in the United States. In 2004, the UAE rendered a Bangladeshi national to Michigan on attempted murder charges, and in 2002 rendered a Russian on kidnapping for ransom and extortion charges to Los Angeles. However, there have been recent instances where the UAE's Ministry of Justice released fugitives wanted by the United States.

#### Counternarcotics -----

111. (U) Although illicit drug use is not viewed a critical problem in the UAE, recent seizures suggest that drug trafficking is a growing concern for the country. The UAE serves as a likely narcotics transshipment point for drugs en route from major drug-producing countries such as Afghanistan to Western European and African nations. This is due to its proximity to major drug cultivation regions in Southwest Asia, its long (700 kilometer) coastline, and high volumes of shipping and transportation at UAE ports. The UAE has taken several recent initiatives to address the menaces of trafficking and increasing drug use, including cooperation with the United Nations.

112. (U) UAE authorities have pursued nearly 5,000 narcotics cases from 1999 to September 2004, with the street value of drugs seized exceeding \$25 million. According to press

reports, the Abu Dhabi Police Anti-Narcotic section handled 171 cases last year, and already has 68 drug cases in the first five months of this year. Typically, most drug cases involve hashish trafficking and use, but recent seizures in Abu Dhabi suggest an increase in the trafficking of heroin. Authorities seized 39.7 kg of heroin from January to May 2005 in Abu Dhabi alone, compared with only 2 kg in all of 2004. Hashish seizures in Abu Dhabi fell from 1,233 kg in 2004 to less than a kilogram during this five-month period. (Comment: It appears the bulk of hashish seized in 2004 came from a few significant seizures. End comment.)

¶13. (SBU) The volume of seizures suggest that traffickers increasingly use the UAE as a transshipment point for narcotics from regions in south and southwest Asia (primarily Afghanistan, Pakistan, and Iran). Small vessels and powerboats transport cargo containers of hashish, heroin and opium; some smugglers also use truck and horseback to take drugs over the UAE land border. The majority of these drugs go to Western Europe and Africa, while relatively few go to the United States. The UAE is vulnerable to such trafficking because of high volumes of shipments, especially in the emerging trading centers of Dubai and Sharjah, and a porous land border with Oman. Additionally, some smaller ports in emirates other than Abu Dhabi and Dubai do not inspect transshipped cargo as they do other goods entering the country.

¶14. (SBU) Rob Walker, Drugs Liaison Officer at the UK Consulate General in Dubai, has expressed concern that European organized crime was trying to link up with Afghani and Pakistani drug traffickers because transiting heroin through Dubai is one-third as expensive as it is through Holland. However, Walker also noted that the UAE has taken major steps to crack down on shipments of drugs destined for the UAE, as well as those transiting through. Sultan Bin Sulayem (Chairman of Dubai Ports, Customs, and Free Zones Authority) recently stated that Dubai Customs does not merely check containers and seize the drugs they find. Rather, they launch a full investigation by, for instance, cooperating with the destination country for the shipment and putting tracing devices on the containers of the drugs.

¶15. (U) TO date, the UAE has not faced an overwhelming addiction problem, although it does exist. The UAE pursues an aggressive anti-drug policy that includes harsh penalties for offenders, rehabilitation programs and public awareness campaigns. Drug offenses are governed by shari'ah law, according to a 1996 amendment to the Penal Code. Per a 1995 law, drug offenders may receive capital punishment for drug trafficking. Although no executions have yet taken place, an Asian woman is in the appeals process after receiving the death sentence in December 2004. Punishments are markedly different for UAE citizens than for foreign nationals. Emirati addicts may turn themselves in to a rehabilitation center or the police without facing prosecution, and most UAE nationals arrested on drug charges undergo a two-year rehabilitation program with family counseling. Third-country nationals, in contrast, usually serve out severe prison sentences before being deported.

¶16. (U) The UAE government actively works with the United Nations and other countries to stem the flow of narcotics into and through the UAE. The UAE's joint work with other nations to stop trafficking gangs has resulted in arrests in Yemen, Pakistan, Iran, Australia, Canada and Holland ) in addition to the arrests for 12 cases in neighboring Oman, Saudi Arabia and Kuwait. In 2003, the UAE signed a landmark counter-narcotics agreement with Iran to coordinate efforts against production, distribution and smuggling across the UAE-Iran sea border. The UAE agreed to foot the \$3 million bill for the establishment of a UN sub-office on Drugs and Crime (UNODC), which will open in Abu Dhabi in September 2005. The UNODC will coordinate with the Higher Committee for Drugs Control in the UAE, similar organizations in GCC countries, and various non-governmental organizations such as youth and women's associations. The UAE is party to the 1988 UN Drug Convention, the 1961 UN Single Convention as amended by the 1972 Protocol, and the 1988 UN Convention on Psychotropic Substances. The UAE has signed, but has not yet ratified, the UN Convention against Transnational Organized Crime.

#### Anti-Money Laundering and Counter Terror Finance

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¶17. (SBU) While the laundering of narcotics funds may take place in the UAE, potential exploitation of the UAE financial system by foreign terrorists and terror financing groups has been the primary concern. Following the September 11 terrorist attacks and revelations that terrorists had moved funds through the UAE, Emirati authorities acted swiftly to address vulnerabilities. Both federal and emirate-level officials have gone on record as recognizing the threat money laundering activities in the UAE pose to the nation's security and continue to take significant steps to better

monitor cash flows through the UAE financial system and to cooperate with international efforts to combat the financing of terrorism.

18. (S) Law No. 1/2004 (the counter terror law) and Law No. 4/2002 (the anti-money laundering law) form a robust legal framework to combat money laundering (AML) and terror finance (CFT). The Central Bank Governor has the authority to freeze accounts for up to seven days if he suspects that the funds will be used to fund or commit any of the crimes listed in the two laws, but the Central Bank must provide evidence to the Attorney General for prosecution in order to maintain the freeze beyond seven days. In practice, the Central Bank holds freezes longer than seven days, even if no evidence has (or can be) provided to the Attorney General. The Central Bank Governor is proactive and would rather freeze accounts extra-judicially than to allow individuals access to suspect funds. However, the Central Bank has become frustrated when the USG has asked the Bank to freeze funds and has not provided evidence that could be used in a court of law. Central Bank officials have told us on multiple occasions they are concerned that courts could force them to release frozen assets based on a lack of evidence, which would seriously damage the credibility and effectiveness of the Central Bank. The Central Bank, which has the capability to examine accounts, follow wire transfers, and ensure banks follow appropriate Know Your Customer procedures, does not have the law enforcement expertise or mandate to determine if there is underlying illegal activity, and thus when they freeze accounts at our behest, they need releasable information to use in the courts, as they do not really have the capabilities to generate their own case.

19. (SBU) The UAE -- and Dubai in particular -- is an important financial center for the Gulf region, and the Central Bank takes its job of examining and monitoring the financial sector very seriously. Banks and other financial institutions supervised by the Central Bank (exchange houses, investment companies, and brokerages) are required to submit suspicious transaction reports (STRs) to the Central Bank's Anti-Money Laundering and Suspicious Cases Unit (AMLSCU). Financial institutions are required to follow strict "know your customer" guidelines, and all financial transactions over \$54,000, regardless of their nature, must be reported to the Central Bank. By law, all wire transfers in excess of \$545 must be reported to the Central Bank, and individuals are required to declare cash that they import and export in amounts greater than \$10,800.

20. (SBU) The informal and mostly undocumented "hawala" remittance system is an effective and inexpensive way for foreign workers in the UAE to remit funds to their home country. However, the fact that hawala is an undocumented and nontransparent system makes it difficult to control and an attractive mechanism for terrorist and criminal exploitation. In an effort to regulate hawala dealers (hawaladars), the Central Bank began registering UAE hawaladars in 2002. To date, over 160 hawaladars have registered and now submit quarterly records of all of their transactions (with names and addresses of remitters and beneficiaries), but Central Bank officials acknowledge that they do not know how many unlicensed hawaladars continue to operate. Governor Al Suweidi has told us that he is intentionally taking a soft approach to hawaladar regulation -- there are no penalties for failing to register -- because he does not want to drive hawaladars further underground. He has told us that he intends to eventually impose penalties for failure to register, but he does not seem inclined to do this in the near future. The UAE considers itself a leader in hawaladar regulation, and has held three highly successful international conferences on hawala use and regulation.

21. (SBU) The UAE is noted for its free trade zones (FTZs), and every emirate (except Abu Dhabi) has at least one functioning FTZ. The FTZs allow 100% foreign ownership, full repatriation of profits and no taxes, and firms can import and export without paying any customs duty. UAE free zones have attracted approximately 5,000 companies and an estimated investment of over \$4 billion. Companies located in FTZs are treated as being offshore or outside the UAE for legal purposes, but they are still subject to UAE criminal law. The mammoth Jebel Ali Free Zone (JAFZ) has nearly 3000 companies on site, including major multinational firms and Fortune 500 companies. While JAFZ has a reputation as a "wild child", it has actually grown into a respectable "adult", hosting the regional headquarters and distribution hubs of many reputable companies. The existence or extent of trade-based money-laundering in the JAFZ is currently unknown. Some of the smaller free zones, Sharjah or Fujairah with their closer ties to Russia and Iran respectively, may be more likely locations for such money-laundering, although this has not been observed.

Counterterrorism  
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122. (C) The UAE is well aware of its vulnerability to terrorist attacks and has taken a number of steps to enhance its critical infrastructure and border security along its porous land and maritime borders. In July 2004, the UAE strengthened its legal authority to respond to terrorist-related activity with the passage of an anti-terrorism law (Law No. 1/2004). The law defines terrorism, specifically criminalizes terrorist financing, and sets stiff penalties for violations. UAE law enforcement agencies -- with U.S. assistance and training -- are also focusing on how they would respond to a potential attack, including attacks on critical oil production, power and water infrastructure, and ports/airports. However, there is still relatively little coordination within and between the emirates on counter-terror strategies. The primary federal decision-makers on counterterror matters are MBZ, Sheikh Saif, and Sheikh Hazza (Director of the UAE State Security Organization). Transshipment issues, which primarily involve Dubai, are handled autonomously through Dubai Customs and the Dubai State Security Division.

#### Key Discussion Issues

123. (SBU) The Emiratis are likely to raise the following with you:

-- Releasable information. The Central Bank has legal constraints on asset freezing and thus the USG needs to do a better job of passing on information that is usable for prosecution purposes; (Central Bank Governor Al Suweidi)

-- Training. The UAE values U.S. expertise and often requests additional training for their customs and law enforcement officers; (Sheikh Saif, Central Bank Governor Al Suweidi)

-- Saudi Arabia. The Emiratis closely watch developments in Saudi Arabia, and will be keen to compare views on security developments in the kingdom; (MBZ)

-- Trafficking in Persons. (Background: Due in large part to the use of trafficked underage foreign boys in camel races, this June the UAE was downgraded from Tier Two Watch List to Tier Three Watch List in the 2005 Trafficking in Persons (TIP) Report. The Emirati leadership has indicated to us that they will work diligently on each of the steps suggested in the TIP action plan.) If this issue is raised with you, you could reiterate our message that fulfillment of the action plan will demonstrate significant efforts by the UAEG to eliminate trafficking and elevate the UAE to Tier Two Watch List status. (MBZ, MBR, Sheikh Saif)

124. (SBU) It would be appropriate for you to raise the following points during your meetings:

-- AML, CFT. Appreciate the UAE's significant efforts to combat terrorism, terror finance, and money laundering; (all interlocutors)

-- Export Control Law. The UAE's draft export control law is still in the UAE interagency process. Note that passing an export control law would give the UAE greater ability to act against transshipments of controlled items; MBZ, MBR, Sheikh Saif)

-- CSI and Megaports. Thank Dubai for being the first Middle East port to join the Container Security Initiative and Megaports Initiative; (MBR)

-- Law Enforcement Cooperation. Note solid law enforcement cooperation. (Sheikh Saif, MBR)

#### Interlocutor Bios

125. (S) We have requested meetings for you with:

-- Mohammed bin Zayed (MBZ). Sheikh Mohammed bin Zayed Al Nahyan became the Crown Prince of Abu Dhabi in November 2004, upon the death of his father, Sheikh Zayed. MBZ is a dynamic and charismatic leader and an advocate for necessary changes in the social and political arenas. MBZ is pro-U.S. and has been supportive of our efforts in Iraq and Afghanistan and in the war on terrorism. In addition to being Crown Prince of Abu Dhabi, MBZ serves as the Deputy Supreme Commander of the UAE Armed Forces. MBZ sees Iran as the UAE's biggest threat, and he is very concerned about extremism and instability in Saudi Arabia. MBZ, who speaks excellent English, is very personable and likes to get to know his interlocutors on a personal basis. He was born in 1961.

-- Mohammed Bin Rashid (MBR). Sheikh Mohammed bin Rashid Al Maktoum is the Crown Prince (and de facto ruler) of Dubai. He is a pragmatic and decisive interlocutor who responds best



to straight talk. MBR and MBZ have developed a good rapport over the years, and they generally cooperate closely on most federal-level decisions. MBR is the titular UAE Minister of Defense, but he plays no role in the decisions, staffing, or funding of the UAE Armed Forces. MBR is well disposed toward the United States, and he believes the US military presence in the Gulf is mutually beneficial by maintaining balance in the region. MBR advocates a more conciliatory policy toward Iran, and he often emphasizes Iran's commercial importance and its desire to play a role in the Gulf. MBR was born in 1946.

-- Sheikh Saif Bin Zayed. Sheikh Saif bin Zayed Al Nahyan (half brother to MBZ) is the UAE Minister of Interior. He is also Director General of the Abu Dhabi Police, where he holds the rank of Lieutenant General. Sheikh Saif is a good friend of the U.S. and pays close attention to Embassy security. The Ministry of Interior is responsible for overseeing the federal police, prisons, and support centers, and it oversees immigration, and civil defense. Sheikh Saif implemented the iris-scanning program at UAE ports of entry to prevent deportees from returning to the UAE. He holds a bachelor's degree in political science from UAE University, and he studied English in the UK where he also attended a training program for police at Scotland Yard. We was born in 1968.

-- Sultan Nasser Al Suweidi. Central Bank Governor Sultan Nasser Al Suweidi is a reform-minded Abu Dhabi native who has become one of the closest contacts of the Embassy. The Governor has been a key player in our efforts to choke off terrorist financing since the September 11 attacks, and privately has initiated unprecedented UAEG cooperation with Washington on the war on terrorism. Al Suweidi's public comments often defend the UAE banking system and deny its shortcomings, but privately he remains collegial and welcomes frequent contact with U.S. officials. Meeting with him for the first time, he will be sensitive to any inferences that we think the Central Bank is not doing all it can to regulate the formal and informal financial systems. Sultan is a micromanager -- his staff will not commit the Central Bank to action, preferring instead to send all matters to the Governor's office for approval. He makes frequent trips to the Central Bank's branch offices in other emirates, travels abroad often to consult with his GCC counterparts, and frequently accompanies high-ranking UAE officials to the United States. Governor Al Suweidi was very involved with forming the Middle East North Africa Financial Action Task Force (MENAFATF), which is headquartered in Bahrain. Since its inception in November 2004, the Central Bank has hosted a number of MENAFATF-sponsored conferences and symposia. Born in 1953, Al Suweidi studied at San Diego State University.

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